

CC 96-45

Virgin Islands Telephone Corporation
P.O. Box 6100, St. Thomas
U.S. Virgin Islands 00804-6100

December 11, 1997

Universal Service Administrative Corporation
100 South Jefferson Rd.
Whippany, N. J. 07981

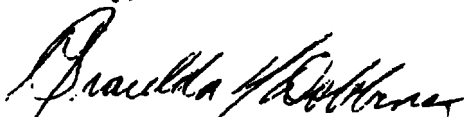
RE: VIPSC Adoption of the Intrastate Discount Matrix for Schools and Libraries

Dear Sir:

Enclosed please find the U. S. Virgin Islands Public Service Commission's Order /7-1998, Docket No. 514 adopting the intrastate discount matrix for providing discounted intrastate telecommunications services to schools and libraries, consistent with the attached FCC Public Notice DA97-1892 dated September 29, 1997.

If you have questions or concerns, please do not hesitate to contact me at (340) 775-8724, fax (340) 774-6010, e-mail address (jecsl@aol.com).

Sincerely,



Gracilda H. Dobbins
Chief Financial Officer

cc: Sheryl Todd
Office of the Secretary, FCC
Irene Flannery, Sr. Attorney Universal Service Branch
David L. Sharp
V.I. Public Service Commission

Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY



File of 340 for rec'd
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Before the
U.S. Virgin Islands Public Service Commission
Charlotte Amalie, U.S. Virgin Islands

In the Matter of

DISCOUNTS FOR INTRASTATE
COMMUNICATIONS SERVICES PROVIDED TO
SCHOOLS AND LIBRARIES PURSUANT TO
SECTION 254 OF THE FEDERAL
COMMUNICATIONS ACT

DOCKET NO. 514

PSC Order/7-1998

ORDER

I. Introduction

On May 8, 1997, the Federal Communications Commission ("FCC") adopted the *Universal Service Order* and rules and regulations implementing key provisions of Section 254 of the U.S. Communications Act, 47 U.S.C. §254, the universal service provisions.¹ The *Universal Service Order* was issued as a result of recommendations made by a Federal-State Joint Board. The *Universal Service Order* establishes (1) the services that are to be supported pursuant to the universal service provisions of the Act, (2) a mechanism for supporting universal service in rural, insular and high cost areas of the country, and (3) new federal programs for supporting communications and non-communications services provided to schools, libraries and rural health care providers.

The *Universal Service Order* provides for funding of both interstate and intrastate services for schools and libraries. Funding is provided by the establishment of a discount off generally available prices. Schools and libraries receive funding by paying a reduced or discounted price for the services covered. The entity providing the discount is reimbursed out of the federal fund. The FCC *Universal Service Order* established a schedule of discounts applicable to interstate services that varied depending on (1) whether the services were provided

¹ Universal Service Order, CC Docket No. 96-45, FCC 97-157 (rel. May 8, 1997) ("*Universal Service Order*"), recon., FCC 97-246 (rel. July 10, 1997), further recon., FCC 97-380 (rel. Oct. 14, 1997), further recon. pending.

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in high cost areas and (2) how poor the school district is. In order for intrastate communications services to be eligible for these federal discounts, a state public service commission must adopt the same level of discounts as the FCC adopted for interstate services. This Order establishes such discounts for intrastate services provided to schools and libraries.

II. Discussion

Section 254 of the Communications Act requires that states establish intrastate discounts on designated services provided to eligible schools and libraries. Specifically, the Act states:

All telecommunications carriers servicing a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the [FCC], with respect to interstate service, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities.

47 U.S.C. § 254(h)(1)(B).

While Section 254(h)(1)(B) authorizes states to determine the level of discount available for intrastate services, the FCC states in its *Universal Service Order* that the Act does nothing to prohibit federal funding of such intrastate discounts, nor does it prohibit conditioning that funding on state adoption of the federal discount levels.² Accordingly, the FCC has decided to exercise its authority to provide federal universal service support for intrastate communications services provided to schools and libraries. Nothing in the Virgin Islands Code is inconsistent with granting discounts for intrastate communications services for reimbursement from this federal program.

The discounts range from 20 to 90 percent for all telecommunications service, Internet access and internal connections, subject to a \$2.25 billion annual cap. The range of discounts is correlated to students' eligibility for the national school free and reduced lunch program, and urban or rural location based on metropolitan statistical areas (MSAs). All public schools and libraries in the U.S. Virgin Islands appear to be eligible for the higher discounts applicable to rural areas. The following discount matrix has been adopted by the FCC:

² *Universal Service Order*, at ¶ 129.

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SCHOOLS AND LIBRARIES DISCOUNT MATRIX		DISCOUNT LEVEL	
HOW DISADVANTAGED?		urban discount (%)	rural discount (%)
% of students eligible for national school lunch program	(estimated % of US schools in category)		
< 1	3	20	25
1-19	31	40	50
20-34	19	50	60
35-49	15	60	70
50-74	16	80	80
75-100	16	90	90

Source: 47 C.F.R. § 54.505(c).

The discounts are to be applied to a pre-discount price. According to the FCC, that price must be no higher than the lowest price the carrier charges to similarly situated non-residential customers for similar services. The FCC clarified that this "lowest corresponding price" is generally the carrier's tariffed rate. The school or library would pay the reduced price after application of the discount to the lowest corresponding price.

U.S. Virgin Islands carriers will be contributors to the federal universal service fund. If the PSC does not adopt these discounts for intrastate rates, Virgin Islands schools and libraries will not be eligible to receive discounted intrastate communications services funded from the federal universal service fund. Rather, such funds would go to other states that do adopt the discounts.

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III. Conclusion

In light of the foregoing, we find that it is in the public interest and hereby adopt the discount matrix set out in this Order for purposes of permitting schools and libraries to receive federal funding for discounted intrastate communications services pursuant to the federal universal service program.

In order to ensure that Virgin Islands schools and libraries can apply for federal funds by January 1, 1998, this Order is effective beginning January 1, 1998.

THEREFORE, IT IS ORDERED that this Order is hereby adopted.

FOR THE COMMISSION

By: _____

Walter L. Challenger

Date: 11/25/97

Walter L. Challenger, Chairman